How to Build a Day Trading Watchlist

PRESENTED BY:

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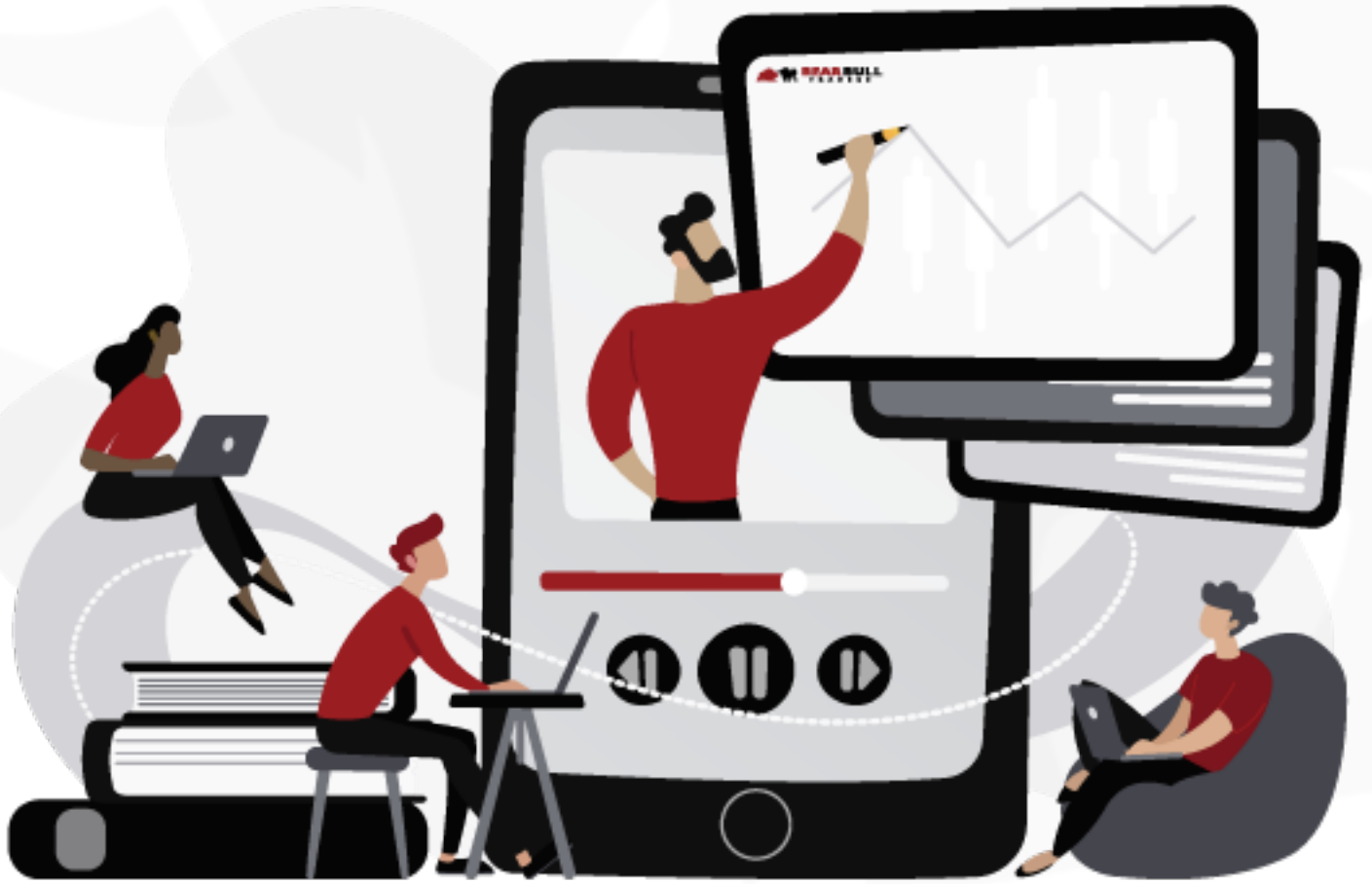
Overview

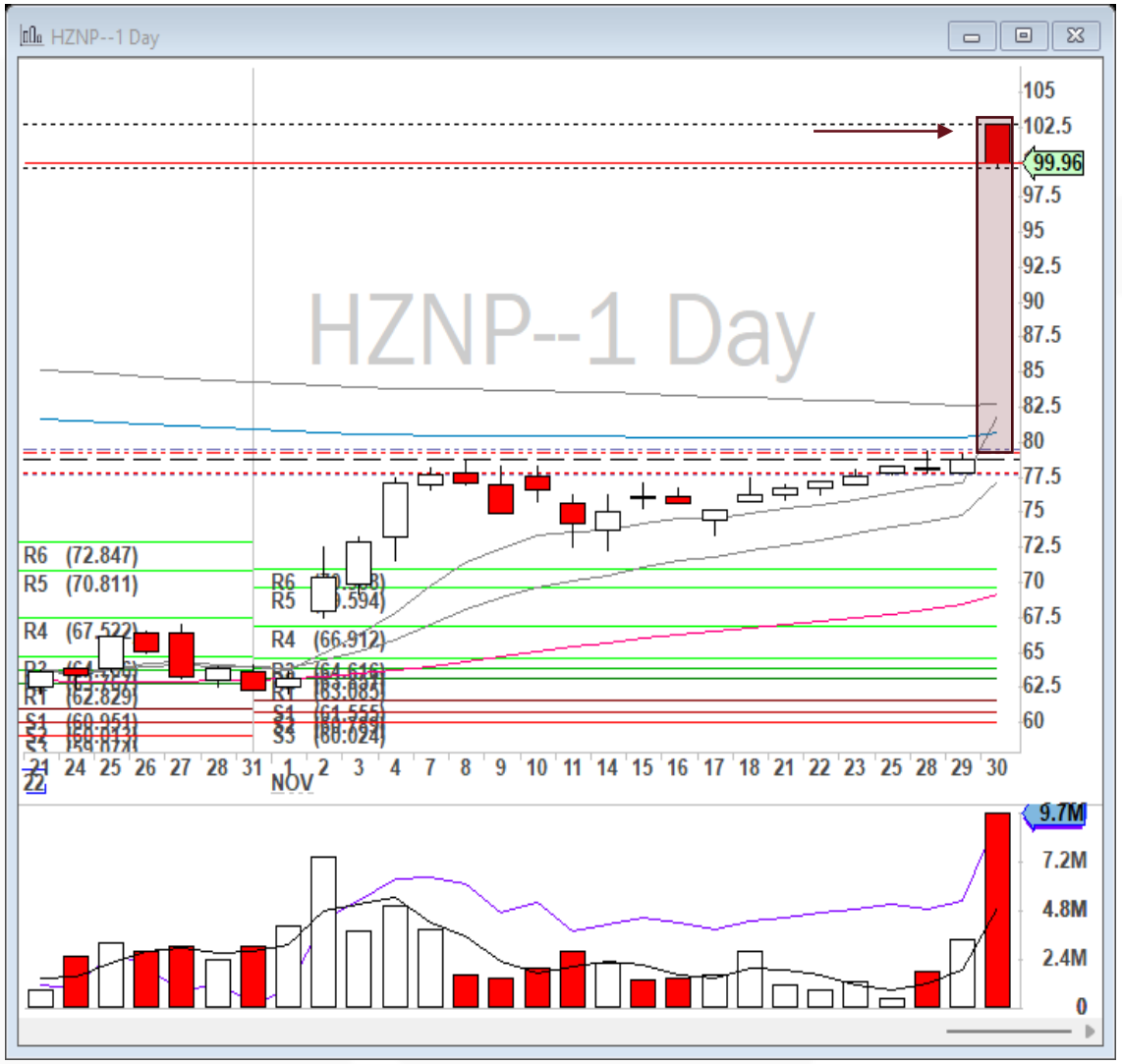
- Stock in Play
- Morning Routine
- Gapper Scanner
- Price Action & Volume
- Trading Terminal

Overview

- Risk:Reward: Why is it important
- Risk: Reward Analysis
- Position Sizing
- Risk Analysis and Trade Management



Stock in Play



- Retail Traders look for stocks in play
- A stock with fresh news
  - Earnings reports / warnings/ pre-announcements / surprises
  - FDA approvals / disapprovals
  - Mergers / acquisitions
  - Alliances / partnerships / major product releases
  - Major contract wins / losses
  - Restructurings / layoffs / management changes
  - Stock splits / buybacks / debt offerings
- A stock that is up or down more than 2% before the market Open.
- Higher than normal trading volume is expected.

Stock in Play

- What shows market direction? We look at some popular ETFs

S&P500 ETF = SPY
(Showing overall market = 500 biggest companies)

Nasdaq 100 Index ETF = QQQ
(tracks the first 100 stock in Nasdaq)

Stock in Play

- Why only Stocks in Play?
- Because they are usually independent of overall market fluctuations

Gappers (Pre-Market Movers): 9:20:00 - 9:24:59 11/30/2022

Symbol	Price ($)	Vol Today	Chg Close ($)	Chg Close	Flt (Shr)	Avg True	Shrt Flt (%)	Sector
HZNP	102.01	1.06M	23.25	29.5	228.14M	2.28	3.11	Manufacturing
XPEV	8.30	6.20M	0.96	13.1	632.18M	0.78	5.66	Manufacturing
WOOF	10.66	430,559	1.17	12.3	150.02M	0.64	19.61	Retail Trade
STT	80.00	120,235	6.07	8.2	365.30M	2.33	0.84	Finance and Insurance
BHC	7.35	358,448	0.53	7.8	357.24M	0.53	7.24	Manufacturing
LI	19.90	721,671	1.37	7.4	849.70M	1.50		Manufacturing
W	33.84	111,826	2.17	6.9	70.98M	3.64	31.97	Retail Trade
NIO	11.16	2.79M	0.66	6.3	1.53B	0.88	4.00	Manufacturing
BILI	16.36	1.33M	0.96	6.2	233.12M	1.57		Information

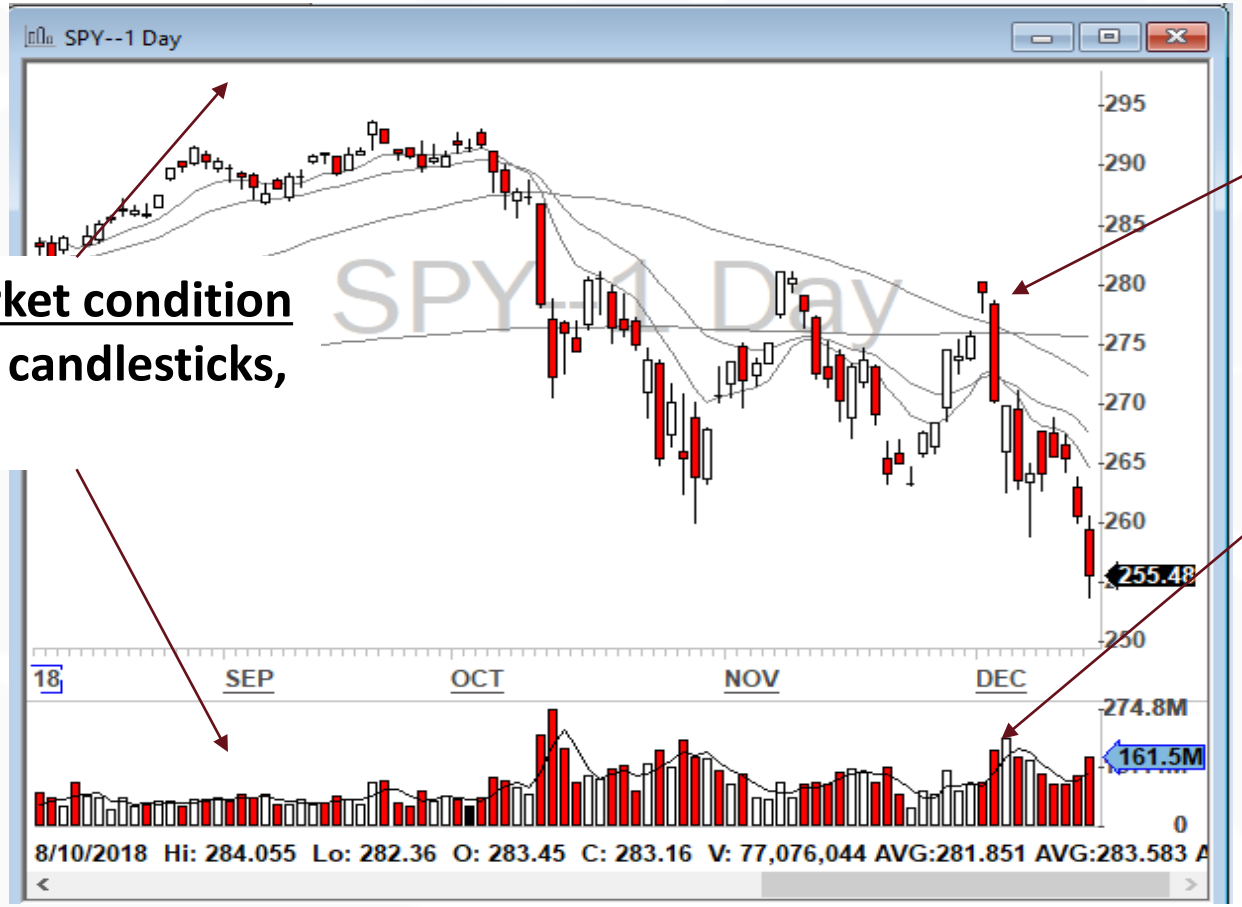
XPEV stock in play

S&P500 ETF = SPY (showing overall market= 500 biggest companies)

As you see XPEV is trading <u>independent</u> of overall market (S&P500=SPY)

Stock in Play

- Do Stocks in Play always move independent of the market?
  - Not really. In volatile conditions, stocks in play, may get affected by market too.



Normal market condition
Note size of candlesticks, volume

Volatile market condition
Note size of candlesticks, volume

Morning Routine

1. Pre-market news and daily chart analysis	**8:30 am to 9:10 am**
2. Reviewing Gappers watchlist and finalizing watchlist	**9:10 am to 9:15 am**
3. Finding daily levels on watchlist and game plan (*if-then* statements)	**9:15 am to 9:30 am**
4. Observing price action at the Open for at least 5 min*.	**9:30am to 9:35 am**

Market opens 9:30 am EST (New York time zone)

** Note: I emphasize not to trade in first 5 min. But I am working on developing some new strategies after 3-4 min of the Open. It is a work in progress and a learning experience for me. I still recommend waiting for at least 5 min at the Open (i.e. 9:35 am). Some traders recommend waiting 15 min (until 9:45 am).*
I apologize for this hypocrisy in advance if you see me trade in first 5-min!

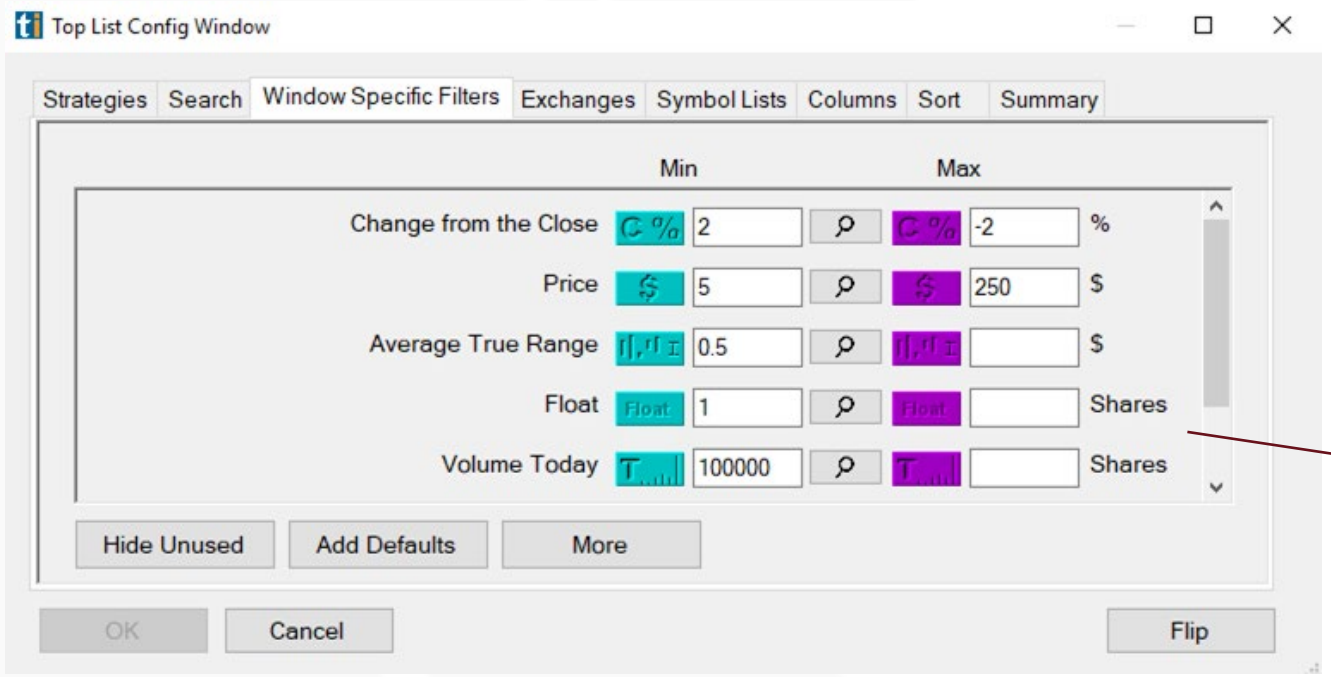
Gapper Scanner

Our main method to find stocks for day trading:

Pre-market Gappers

Gappers (Pre-Market Movers): 9:25:55 - 9:26:24

Symbol	Price ($)	Vol Today	Chg Close	Chg Close	Flt (Shr)	Avg True	Shrt Flt (%)	Sector
ABIL	6.70	345,126	2.10	45.7	795.8K	0.91	1.92	Manufacturing
NLSN	25.43	1.04M	3.46	15.7	355M	1.34	8.35	Administrative and Support and Waste Management and Remediation Services
FDC	23.90	216,116	-0.77	-3.1	482M	0.55	7.40	Finance and Insurance
ENDP	14.98	417,364	-0.67	-4.3	223M	0.83	17.06	Manufacturing
TAL	33.00	169,848	-1.60	-4.6	94.8M	1.97		Educational Services
DY	69.00	168,047	-20.71	-23.1	29.9M	2.68	13.51	Construction



- Average True Range (ATR) at least 50 cent.
- Premarket volume at least 100,000 sh
- Float: Min 1 shares
- Gap up at least +2% or Gap Down at least -2%

Adding float minimum to "1 share" will filter and remove ETFs.

Note: you can change these parameters based on your strategy or market conditions. They are not carved in stone.

Gapper Scanner

Example of a Morning Routine: Reviewing Gappers Watchlist

Gappers (Pre-Market Movers): 9:20:00 - 9:24:59 11/30/2022

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BILI	16.36	1.33M	0.96	6.2	233.12M	1.57		Information
TCOM	30.97	178,334	1.77	6.1	641.61M	1.89		Administrative and Support and Waste Management and Remediation Services
BEKE	16.01	543,103	0.90	6.0	1.18B	1.29	2.93	Real Estate and Rental and Leasing
JD	56.20	312,056	2.95	5.5	1.36B	3.53		Retail Trade
BIIB	307.00	116,436	15.59	5.3	143.43M	7.43	1.91	Manufacturing
BIDU	104.26	120,039	4.62	4.6	283.58M	5.61		Information
PDD	81.84	694,360	3.41	4.3	1.25B	4.96		Other Services (except Public Administration)
BABA	82.71	717,141	2.85	3.6	2.64B	4.43	2.68	Retail Trade
MARA	6.10	609,452	0.21	3.6	111.05M	0.74	33.11	Finance and Insurance
FRO	13.38	109,515	0.44	3.4	123.89M	0.64	12.97	Transportation and Warehousing
PBR	11.49	488,284	0.35	3.1	3.72B	0.58	1.26	Mining, Quarrying, and Oil and Gas Extraction
YMM	7.66	141,588	0.22	3.0	912.43M	0.69	3.77	Information
AU	18.27	239,135	0.46	2.6	416.53M	0.64		Mining, Quarrying, and Oil and Gas Extraction
FUTU	60.00	340,400	1.50	2.6	79.20M	4.08		Finance and Insurance
FSR	7.40	271,803	0.15	2.1	162.59M	0.57	32.17	Manufacturing
BP	36.02	237,971	0.71	2.0	3.06B	0.92	0.36	Mining, Quarrying, and Oil and Gas Extraction
MU	53.73	115,657	-1.39	-2.5	1.08B	2.38	3.02	Manufacturing
CVNA	7.13	395,202	-0.21	-2.9	93.10M	1.31	44.38	Retail Trade
ZS	127.83	122,459	-7.02	-5.2	84.49M	7.76	7.22	Professional, Scientific, and Technical Services
CRWD	113.62	1.69M	-24.38	-17.7	210.88M	6.71	4.54	Information

Gapper Scanner November 30, 2022

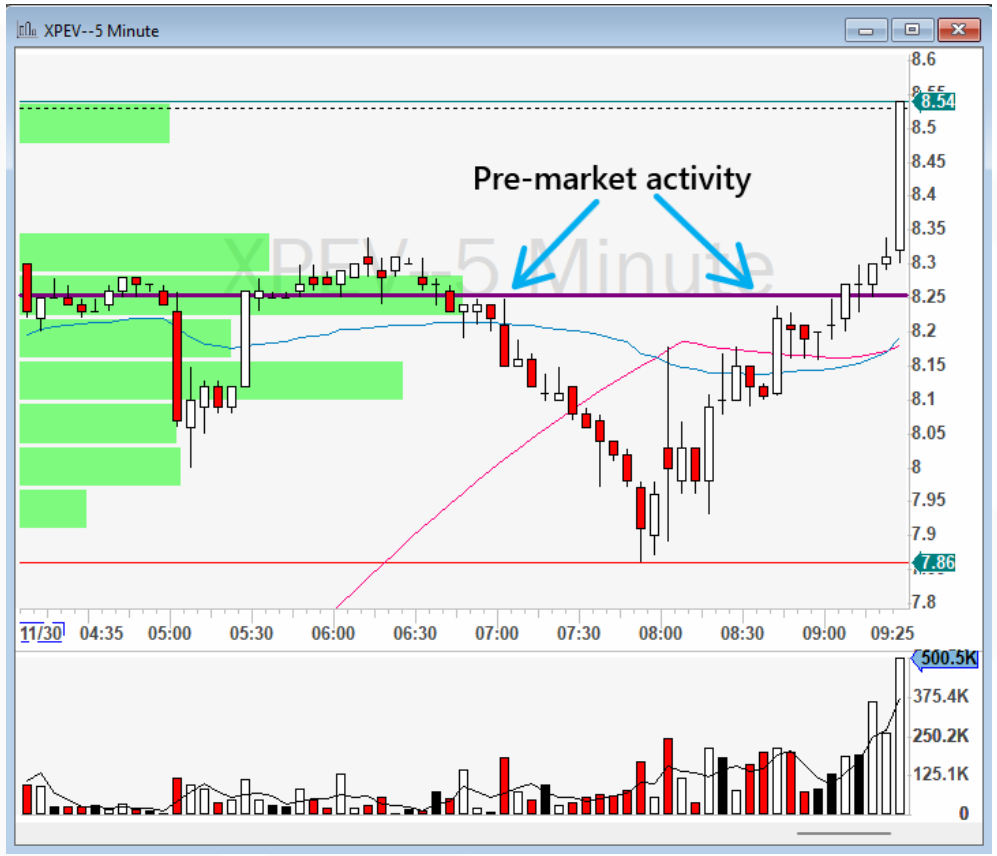
Gapper Scanner

How to select from the Gappers Scanner?

- We are looking for (1) **good volume** and (2) **clean** pre-market activity.

What is **good volume** and **clean pre-market** activity? Let's review some examples

Price action & Volume



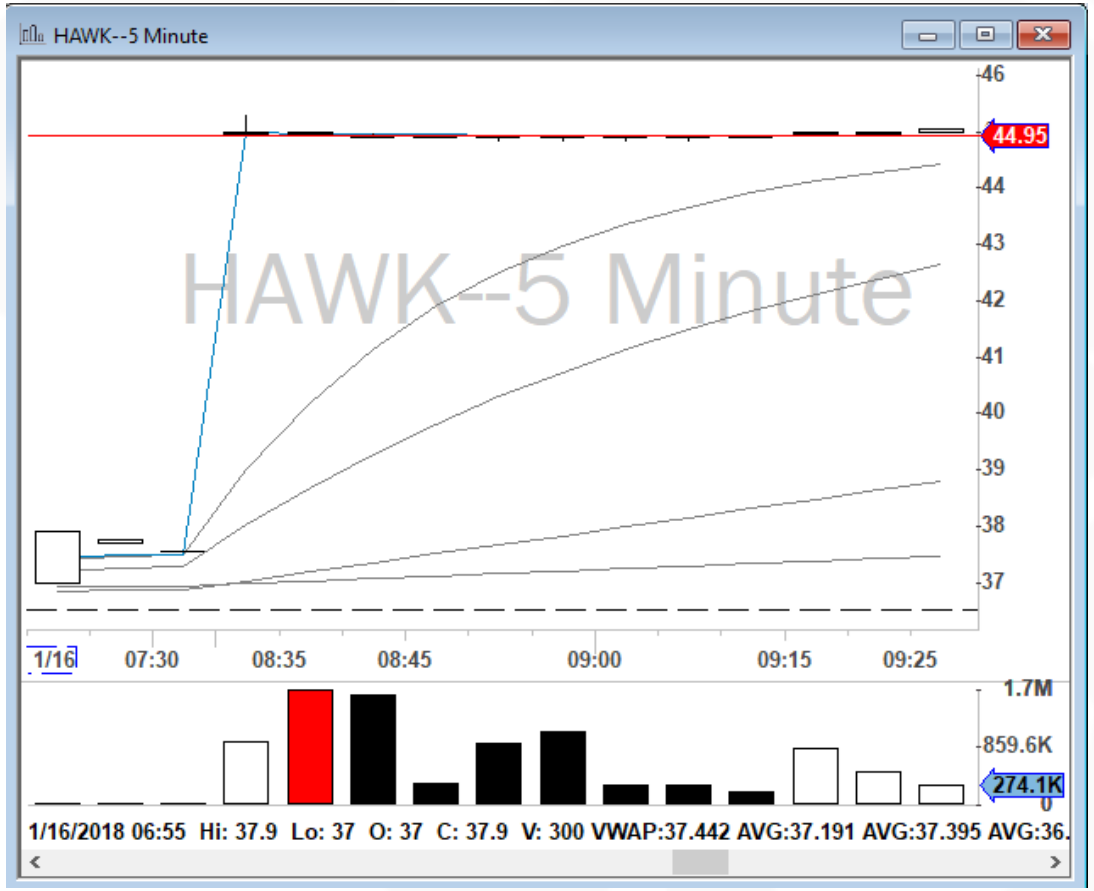
- **Good** price action pre-market

Bad price action pre-market

Price Action & Volume

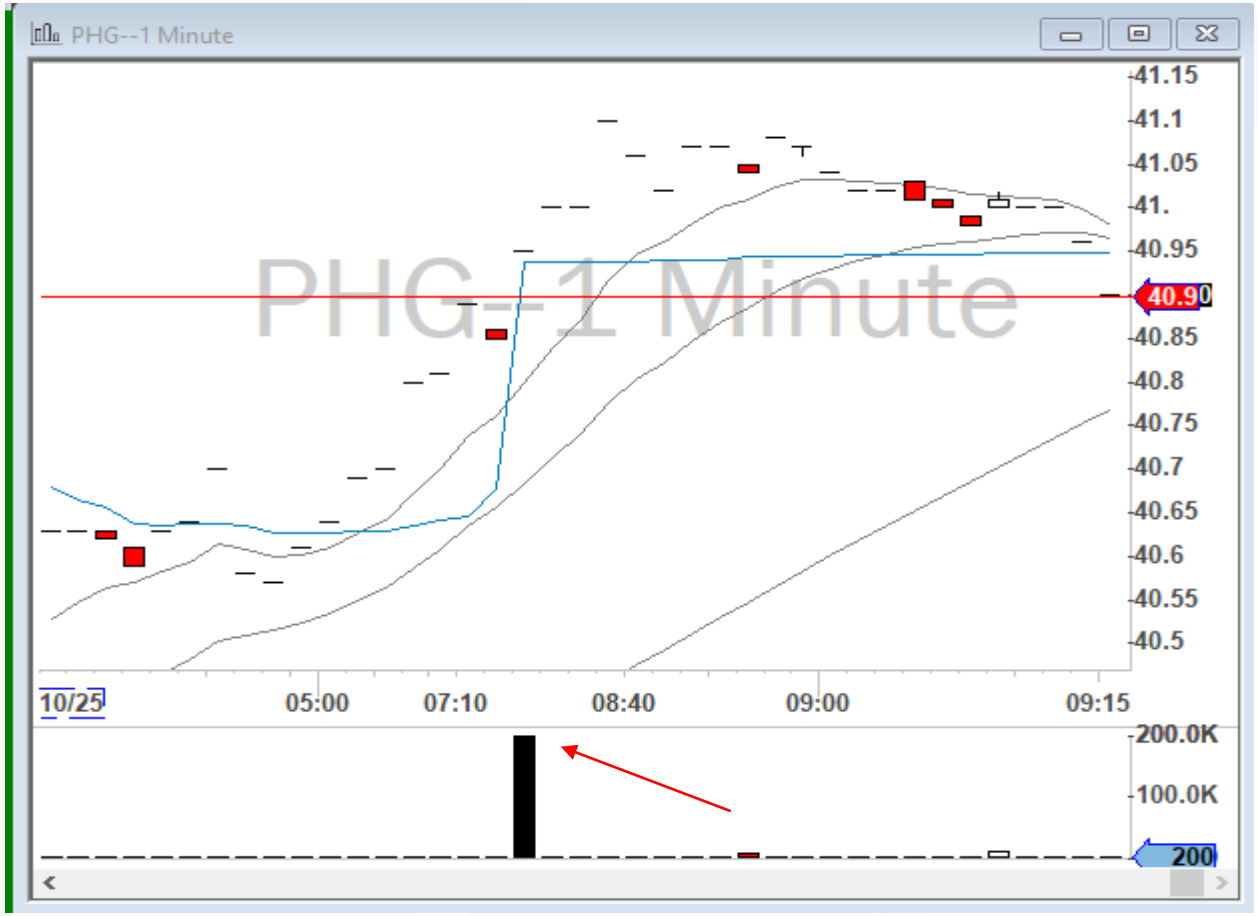
- **What is a buy Out?**
  - **Confirmed** buy out of a another company!
  - Price is usually **FLAT**! With **heavy volume** in pre-market (institutional trades in pre-market)
  - Sometimes there are “rumors” or **unconfirmed** chatter of a buyout at around a price, those are tradable!
  - *Usually **unconfirmed** news have enough range and volatility in the pre-market, so you can see easily distinguish them from confirmed news.*

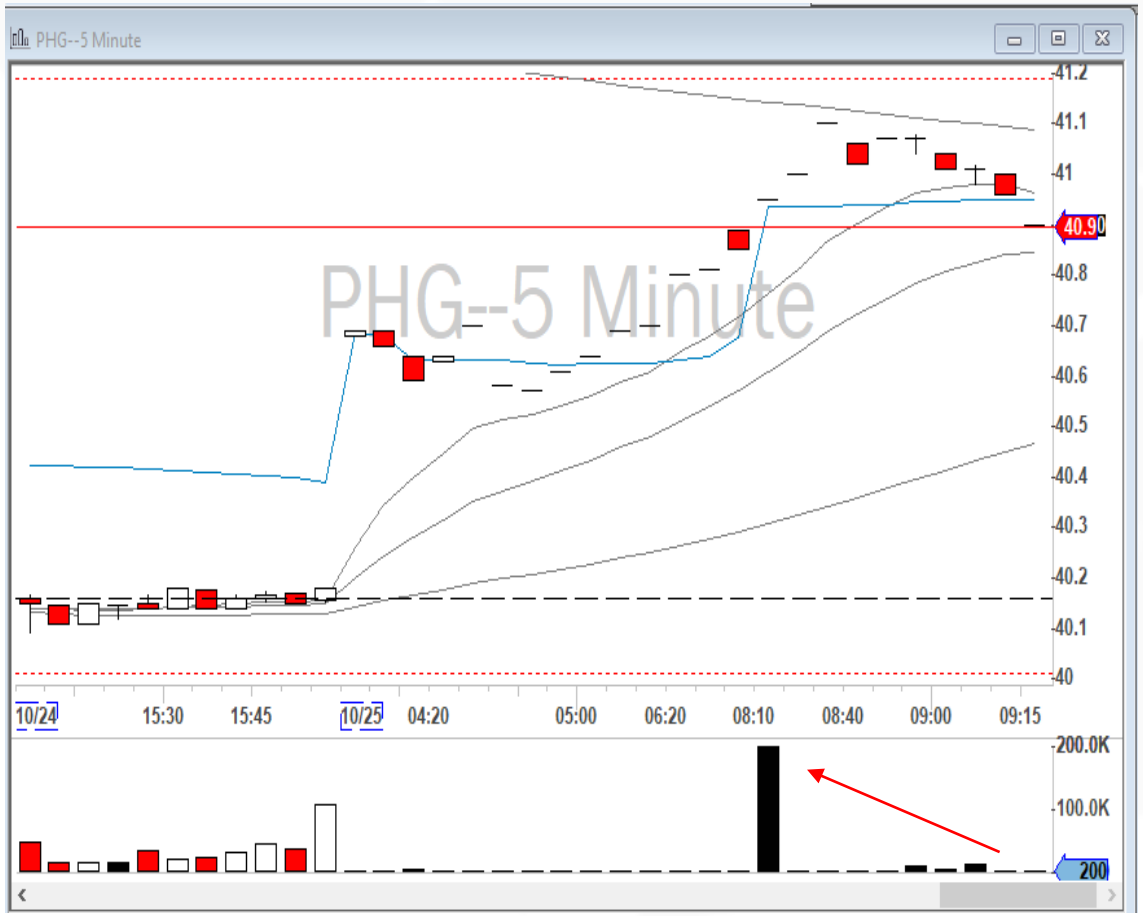
Blackhawk Network Holdings (NASDAQ: HAWK) agreed to a $3.5 billion buyout offer by Silver Lake and P2 Capital Partners, shares of Blackhawk rose 23.4% on the day of the announcement. If the deal is completed, current Blackhawk stockholders can expect to receive $45.25 per share.



Price Action & Volume

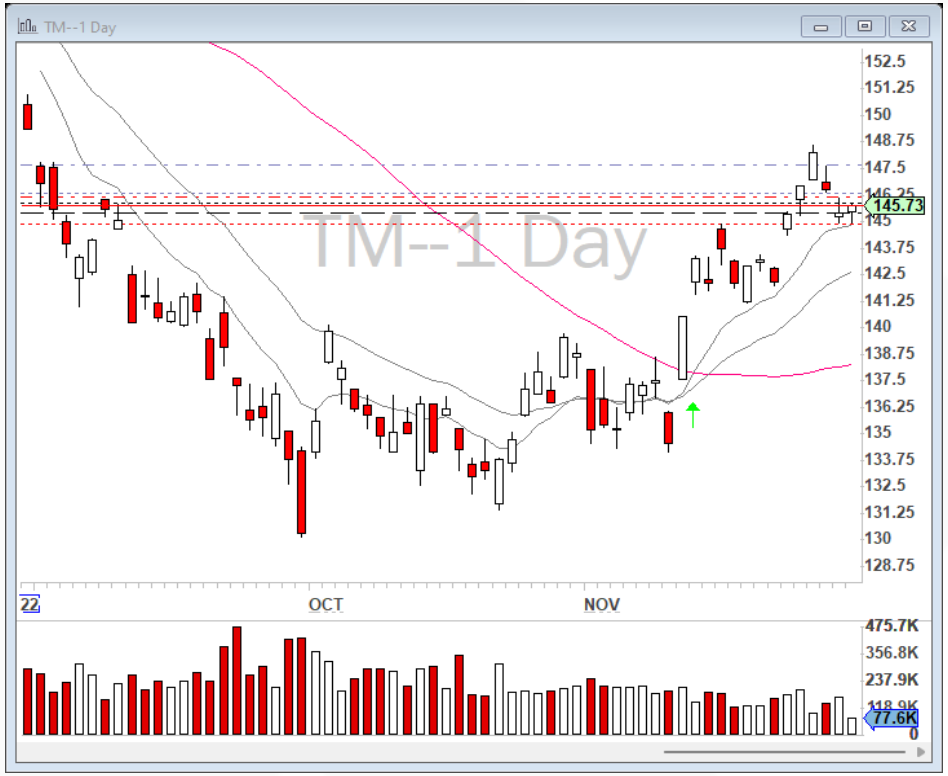
- **What is a block trade?**



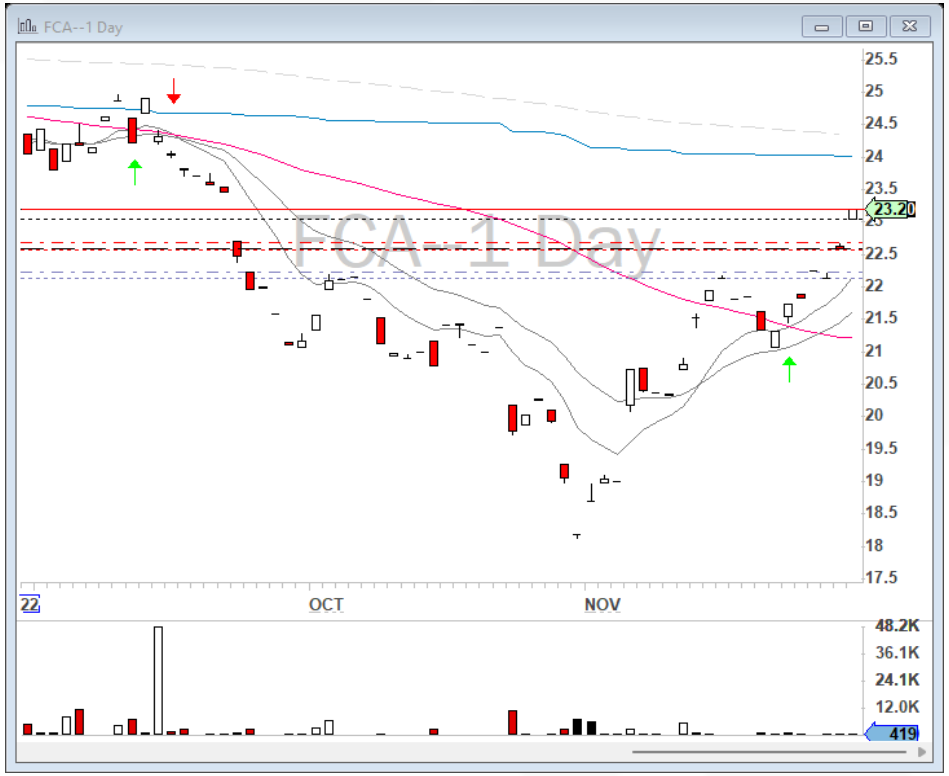


Price Action & Volume

- We usually do not trade ***Foreign Companies***.
- The gaps are because of exchange rate, and not necessarily news.
- It is difficult to find levels in their daily charts.



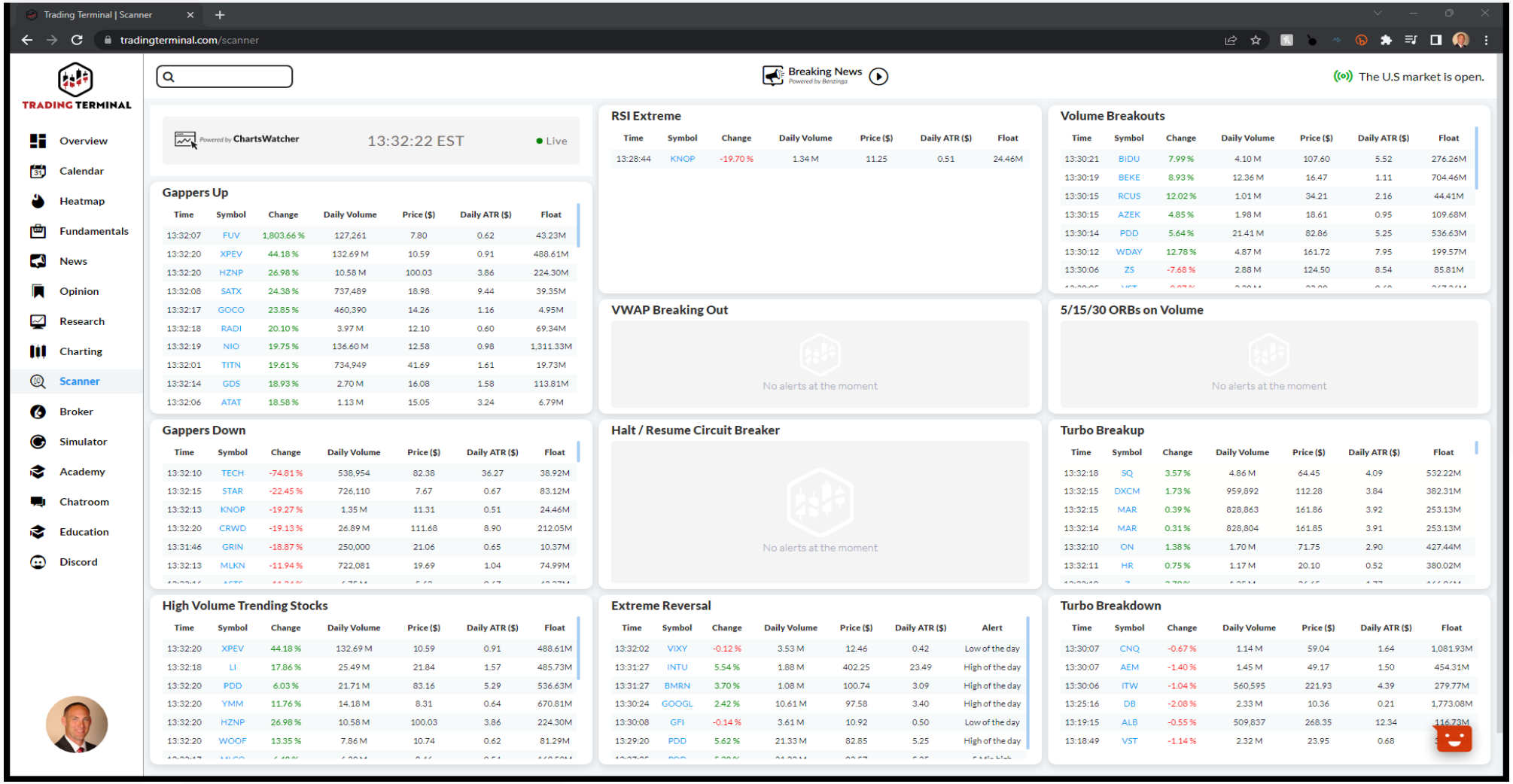
Toyota Motors



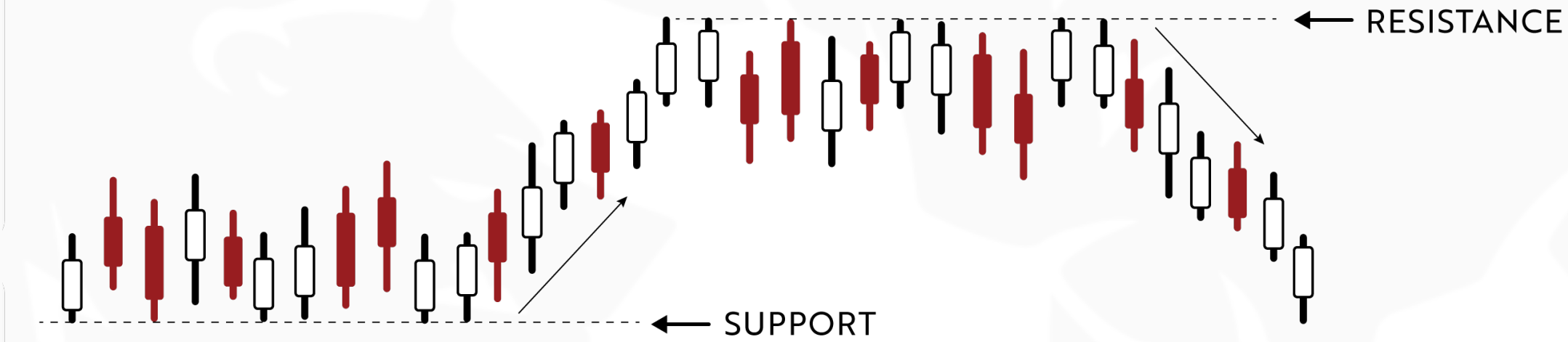
Fiat Chrysler

Trading Terminal

- What do you do if you don't have Trade Ideas



- **Now we have identified our watchlist, what is next?**



Finding Support & Resistance Levels

Useful icons

TradeBook

BEAR BULL TRADERS

Trilogy of Trading Success

Technology — Mondays

Strategy — Tuesdays

Psychology — Wednesdays

Mentorship — Thursdays

Edge of Your Tradin